

EXECUTIVE SECRETARIAT
ROUTING SLIP

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1	DCI		X		
2	DDCI		X		
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6	DDA				
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8	DDS&T				
9	Chm/NIC				
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11	IG				
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13	D/OCA	X	X		
14	D/PAO				
15	D/PERS				
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April 8, 1986

#86-1706

The Honorable William J. Casey
 Director of Central Intelligence
 Central Intelligence Agency
 Washington, D.C. 20505

Dear Bill:

We write this letter because of our deep concern that leaks of sensitive information may be seriously compromising U.S. intelligence sources and methods.

The latest example of this plague is in the April 7 issue of Newsweek. An article on "Kaddafi's Crusade" contains six paragraphs of apparent intelligence information, including quotations from "highly classified CIA reports" and descriptions of the contents of extremely sensitive messages between Tripoli and several world capitals. The material is ascribed to "senior American officials, intelligence analysts and diplomatic sources in Washington."

The Committee would appreciate receiving the Community's assessment of the damage caused by the Newsweek article. We would also like to receive the results of the investigations that we understand will be conducted into the origins of these disclosures.

We share the outrage that you must feel over this matter and we will continue to work with you to make policymakers understand the seriousness of this problem.

Sincerely,


 Dave Dorenberger
 Chairman


 Patrick J. Leahy
 Vice Chairman

Enclosure

DCI
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ARTHUR GRACE—NEWSWEEK



PETER TURNLEY FOR NEWSWEEK

The best of enemies: Neither side was intimidated

Kaddafi's Crusade

The Libyan leader threatens new terrorist attacks after Reagan steams through his 'line of death'

His audience was small and relatively subdued, but Muammar Kaddafi managed to work himself into a fine frenzy. "We humiliated America and its forces," he told the crowd gathered at the Bab al Aziziya barracks in Tripoli. Kaddafi boasted that his "line of death" had repelled the U.S. Sixth Fleet in the Gulf of Sidra. He claimed that his missiles had shot down three American warplanes, "whose six pilots are now feeding the fish." He maintained that his forces had recovered a dud missile fired by the Americans. "We are going to hand it over to the Russians," he gloated. He dismissed Ronald Reagan as "a trivial and futile actor" and bragged that "America fears Libya." When Kaddafi finally finished, Libyan soldiers dragged out a terrified cow with "Reagn" painted on its side. One of the men slit its throat with a knife. Then, as the animal thrashed out its life, the soldiers dipped their hands into the wound and danced around in the blood.

By American reckoning, it was Kaddafi whose ox was gored last week. U.S. warships steamed across the "line of death" into what Libya regards as territorial waters and stayed there, unharmed, for 75 hours. When Libya fired surface-to-air missiles at American planes, the Sixth Fleet replied with missiles of its own, silencing the air-defense battery. When Libyan patrol boats approached the fleet, bombs and missiles drove them off, sinking at least two. The American armada—three giant aircraft carriers and 24 other ships—had come to keep the sea lanes open and to punish Kaddafi for his sponsorship of international terrorism. The dual mission accomplished, it sailed away five days before the announced end of the exercise, with Reagan offering "a hearty 'well done'."

That might not be the end of it, however. By barging into the Gulf of Sidra, Reagan gave Kaddafi a bloody nose, but there was no sign that the volatile Libyan leader had been persuaded to get out of the terrorism

business. On the contrary, Libya exhorted its fellow Arabs to form "suicide squads" and to hurl "human bombs" at American targets in the region. Already, Kaddafi had begun to mobilize a counterattack by his allies and protégés in the vast underworld of international terrorism (page 25). "America is our target," announced the Palestinian faction run by Abu Nidal, who was blamed for the atrocities at the Rome and Vienna airports last Christmas. Reagan himself warned about "intensive Libyan preparations" for a campaign of violence against Americans. "The United States will not be intimidated by new threats of terrorism," the president promised. So far, most Americans seemed to agree. In a NEWSWEEK Poll (page 23), 63 percent of the people questioned said last week's attack on Libya was worthwhile, even if it leads to more terrorism against Americans.

And it probably will. Senior American officials, intelligence analysts and diplo-

matic sources in Washington have told NEWSWEEK of mounting evidence that Kaddafi is preparing a crusade against American citizens and facilities, mostly in Western Europe and the Middle East. His bag of dirty tricks includes the following:

- Highly classified CIA reports warn that Kaddafi's agents have had "no fewer than 35" American targets under surveillance overseas. The list ranges from the offices of American companies to the headquarters of the Sixth Fleet and the homes of its top officers in Naples. President Reagan also has been told that Libyan hit squads are tailing CIA station chiefs in the region.

- Last Wednesday a message was sent from Tripoli to Libyan agents in Paris, Belgrade and Geneva, ordering them to "prepare to carry out the plan." Similar messages were sent to Kaddafi's agents in Rome, Berlin and Madrid.

- A defector from a Libyan hit squad has told the CIA about a plot against the life of an American diplomat in Europe. The de-

factor, a North African who was recruited by Libyan agents in Western Europe, has passed a series of lie-detector tests and is still in U.S. custody.

Two Libyan agents in the Lebanese Army were ordered last week to attack U.S. Embassy personnel in Beirut. American officials believe that U.S. buildings in the Lebanese capital are now safe from car-bomb attacks. But they worry that assassins might attack Americans with rocket-propelled grenades.

In recent weeks Kaddafi has intensified his efforts to recruit European and Palestinian hit men in hopes of shifting the blame away from Libya. One Palestinian was enlisted to help carry out an attack on a U.S. diplomatic mission in Western Europe. The plot was uncovered when Yasir Arafat, leader of the Palestine Liberation Organization, tipped off the United States through a third party. Arafat didn't want his own Al Fatah to be blamed.

To keep Washington in what one source calls "a state of high anxiety," the Libyans are planning a psychological-warfare campaign in Europe and the Middle East, including telephoned bomb threats. "We think they're really going to yank our chain," says an American official. Libya also is trying to stir up demonstrations at U.S. embassies in Sudan and two other African countries. Apparently the Libyans hope that the demonstrators will run amok and sack the embassies.

The targeted embassies and other Americans in danger overseas have been warned, and across Europe and the Middle East governments are tightening up security.

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Similar steps are being taken in many American cities and airports, and the 3,500 Libyans who live in the United States are being watched. Some of the precautions were taken before last week's action in the Gulf of Sidra and have already begun to pay off. In February an Italian soldier and a free-lance cameraman were arrested in Sicily and accused of giving secrets to the Libyans, possibly in connection with a plot against Americans.

Intelligence analysts aren't sure when Kaddafi's new terror campaign will begin, if it does at all. Some experts argue that he will strike quickly in order to reaffirm his manhood after the Gulf of Sidra incursion. Others believe he will wait two or three months, giving himself time to put together an elaborate campaign—and giving Americans time to drop their guard. Robert Kupperman of Georgetown University in Washington predicts that Kaddafi will hold off for a couple of months. Then, he

says, "we're going to see attacks against Americans at airports, on the Via Veneto, at train stations. There will be attacks against individuals—American officials living abroad and tourists—and against American businesses. We're in for terrible trouble ahead."

But Kaddafi is as unpredictable as he is dangerous. According to several sources, a frequently updated CIA report on his mental state claims that he uses hallucinogens to expand his mind. Kaddafi also is said to be preoccupied with a girlfriend in Western Europe, flying off in a private plane to visit her almost every week. Whether or not those stories are true, Kaddafi sometimes doesn't seem to make sense, even to people who share his cultural background. NEWSWEEK has learned that one impeccable source who conferred with Kaddafi last Tuesday told American officials that he found the Libyan leader "disoriented and incomprehensible."

If Kaddafi is caught sponsoring attacks on Americans, the Reagan administration promises a swift and strong response. No final decisions have been made, in part because American retaliation will depend on what Kaddafi does. Officials have told NEWSWEEK, however, that most of Reagan's advisers support Secretary of State George Shultz's longstanding call for reprisals the next time around, not just against terrorist camps but against Libyan military and economic targets as well. Secretary of Defense Caspar Weinberger and Adm. William Crowe, the chairman of the Joint Chiefs of Staff, are still reluctant to use military power except against specific terrorist targets. But Donald Regan, the White House chief of staff, John Poin-dexter, the president's national-security adviser, and CIA Director William Casey support Shultz's contention that further Libyan-sponsored terrorism should be answered with devastating attacks.

So far most of Libyan industry does not appear on any U.S. target list; nor have plans been drawn up to bomb Kaddafi's command bunker or the barracks where he lives. But American targeters already are prepared to attack a wide range of Libyan military facilities and the training camps allegedly used by terrorists. And if Kaddafi gives them sufficient provocation, American warplanes will go after the oil pipelines and storage facilities that are crucial to Libya's hard-pressed economy. "The next act of terrorism," promises a top U.S. official, "will bring the hammer down."

Going it alone: Washington began to tighten the screws on Kaddafi early this year. After the murder of 15 air travelers in Rome and Vienna, Reagan ordered American residents to leave Libya, and he imposed a trade embargo on the country. Many American allies were unenthusiastic about the sanctions, which seemed likely to do Kaddafi little harm. Preparing to go it alone, the administration drafted a long-term plan for additional economic and political moves against Kaddafi. It also started to look for an excuse to take military action against him (NEWSWEEK, Jan. 20).

Why Libya? The administration has long recognized that Syria and Iran are even more deeply involved with terrorism than Kaddafi is. The Abu Nidal group, for instance, could be traced more directly to Syria than to Libya. But Syria and Iran are difficult, well-armed targets, and the State Department regards Syrian President Hafez Assad as the essential mediator in Lebanon. So Libya became the prime U.S. target. Whatever his precise standing may be among the patrons of terrorism, Kaddafi deserved to be punished. "He harbors terrorists, trains them, supplies them and encourages them," Shultz said in Rome last week. "You don't have to be Sherlock Holmes to figure it out." Kaddafi also con-

tinued to alarm Washington with his meddling in Chad, where his forces are supporting rebels against the government, and Sudan, where he is supporting the government against some rebels. Even Libya presented problems and challenges. However, it was difficult to locate the terrorist camps and to know when they were occupied by specific groups, such as Abu Nidal's. And there was a high risk of killing Libyan bystanders.

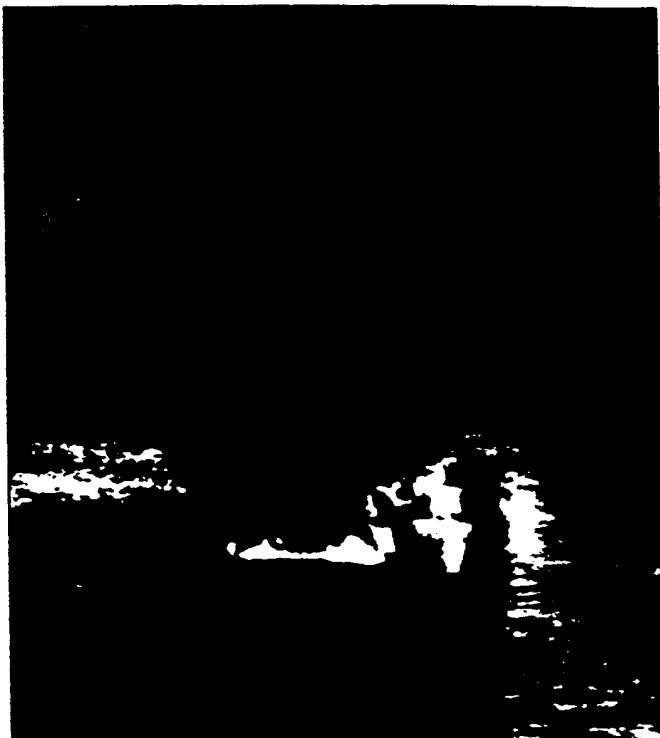
Then, in late January, Kaddafi gave the Americans the pretext they were looking for: he proclaimed his "line of death" across the Gulf of Sidra (map). "That line is manifestly illegal under international law, so the United States had a perfect right to cross it, which means a perfect right to fire back if Kaddafi were to attack us," said a senior administration official. The freedom-of-navigation issue also solved the targeting problem; the Americans could fire at Libyan missile sites, aircraft or warships that threatened them. In early February the planning for Operation Prairie Fire began, and soon Washington's resolve was hardened by the CIA reports that Libyan agents were shadowing U.S. diplomats in Europe and the Middle East. By then the Navy had begun to put pressure on Kaddafi with unannounced incursions into the airspace over the Gulf of Sidra. Sources told *Newsweek* that carrier-based American planes crossed the line for 32 consecutive days, forcing Kaddafi to keep his air defenses on constant alert.

Moral heights: The decision to go ahead with Prairie Fire was made at a meeting in the White House on March 14. The toughest issue was how to retaliate if Kaddafi fired on the fleet. Shultz favored swift attacks on Libyan oilfields and terrorist camps, while Weinberger argued that the U.S. response should be proportional to the Libyan aggression. Shultz wanted targets to be selected in advance, while Crowe insisted that the Sixth Fleet commander, Vice Adm. Frank Kelso, should be allowed to make the final decisions on the spot. Poindexter had the swing vote, and he engineered a compromise: Kelso could defend himself, but if Kaddafi launched an all-out assault the fleet would retaliate against a graduated, preselected list of Libyan military and economic targets, with Washington approving each escalation. Later, officials agreed that Poindexter's compromise allowed the United States to retain the moral high ground by waiting until the Libyans opened fire and then responding in kind.

Then, *Newsweek* has learned, the na-

tional-security adviser dropped a stitch. After agreeing to brief congressional leaders on Prairie Fire, Poindexter failed to follow through, apparently because it slipped his mind. The Hill went unbriefed, even as Under Secretary of State Michael Armacost called in the Soviet chargé d'affaires to tell him what was going to happen—and to warn Moscow that U.S. forces would strike back if Libya opened fire.

Ronald Reagan himself took little part in the March 14 meeting. "You almost got the impression that he wasn't paying attention," an aide recalls. But at the end Reagan recapped the proceedings and went over the



Burnt offering: A Libyan patrol boat after a hit by a U.S. missile

rules of engagement in some detail. "It was pretty obvious that he knew what he was going to do long before he sat down," says the aide. When the action began last week, administration spokesmen insisted that freedom of navigation was the only issue. "The purpose is not to put Kaddafi into his box, [although] that's where he belongs," Shultz said during a visit to Turkey. "The purpose is to exert the U.S. right to conduct naval and air exercises in every part of the globe." But aides confirm that Reagan has a visceral dislike for Kaddafi and wants to overthrow him, just as he hopes to depose Nicaragua's Daniel Ortega. "We wanted to provoke Kaddafi into responding so we could stick it to him," says one participant in the March 14 meeting. "And we knew he would oblige us."

The men on board the aircraft carrier Saratoga knew exactly why they were on

station outside the Gulf of Sidra, and they knew what was likely to happen next. The skipper, Capt. Jerry Unruh, sported a name tag on his breast pocket that read: "Terrorist Buster." "One of the men gave it to me, and I promised I'd wear it," he told *Newsweek*'s Theodore Stanger, who visited the carrier as Prairie Fire began. By then the ship's store had sold out its supply of "Terrorist Buster" T-shirts (\$4.50 each).

Standoff range: After lunch on Monday the Libyans fired their first SAM-5 missiles, and in response, American warplanes hurtled off the flight decks of the Saratoga, the Coral Sea and the America.

For nearly 24 hours they continued their scheduled training flights and fought when they had to, efficiently but cautiously. American electronics jammed the Libyan defenses, and the Sixth Fleet fired its missiles and dropped its bombs from the relative safety of "standoff" range. There were a few glitches. The fleet never did determine exactly how many missiles the Libyans had fired or how many Libyan patrol boats were sunk or how many Libyans had been killed (150 was the best guess). In addition, U.S. officials worried that Kaddafi might have been telling the truth when he said he had recovered a dud "HARM" missile, which could be an intelligence bonanza for Moscow. When the first action reports got back to the White House, however, Ronald Reagan's first question was: "Any casualties?" None, he was told. "Good!" the president exclaimed, pounding the arm of his chair.

Elsewhere, the incursion drew a mixed reaction. Congress was more or less acquiescent. Some of the European allies regretted the violence, but not too heatedly, while others happily cloaked themselves in the fig leaf of free navigation. As expected, Arab governments complained, moderates and radicals alike, but some of the protests had a hollow ring. "People keep coming up to us in private and saying, 'Great,'" reported a U.S. diplomat in the Middle East, where Kaddafi is more despised than admired. The final verdict on Operation Prairie Fire will come in the weeks and months ahead, when Kaddafi launches his next terror campaign—or decides not to risk it. If there is a new round of terror, the ruthless friends of Muammar Kaddafi will find that the stakes are higher the next time around.

RUSSELL WATSON with JOHN WALCOTT and JOHN BARRY in Washington, TONY CLIFTON and RUTH MARSHALL in Tripoli and bureau reports